

MARKET CONDUCT EXAMINATION SAFECO GROUP OF COMPANIES

Safeco Insurance Company of America
Safeco Insurance Company of Illinois
First National Insurance Company of America
General Insurance Company of America
American Economy Insurance Company
American States Insurance Company
American States Preferred Insurance Company

**Safeco Plaza
Seattle, Washington**

February 1, 2000 - January 31, 2001



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The Honorable Mike Kreidler
Washington State Insurance Commissioner
Insurance Building
P.O. Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Safeco Group of Companies

The following Companies were subjects of this exam:

American Economy Insurance Company	NAIC#19690
American States Insurance Company	NAIC#19704
American States Preferred Insurance Company	NAIC#37214
Safeco Insurance Company of America	NAIC #24740
First National Insurance Company of America	NAIC#24724
General Insurance Company of America	NAIC#24732
Safeco Insurance Company of Illinois	NAIC#39012

In this report, the above entities are collectively referred to as “the Companies” or “the Safeco Companies”. This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the Safeco Companies during the course of this market conduct examination, including Ray Egan, Cheryl Maloney, Patty McCollum, and the staff that provided daily support to the examiners.

I certify that the foregoing is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This market conduct examination report is by exception. Additional practices, procedures, and files subject to review during the examination were omitted from the report if no improprieties were indicated. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Prior Examination Summary

There were nine (9) instructions issued in the prior examination, which was adopted in 1991. The instructions were:

1. The Companies must issue a 45 day cancellation notice as required by RCW 48.18.290 if they elect not to provide the coverage that was subject of the binder after a bound application was received.
2. Binders must identify the full name of the insurer as is required by WAC 284-30-560 (2)(a).
3. When policies are written in multiple Companies, care must be taken to ensure that endorsements and certificates clearly state the company at risk on each portion of the policy as is required by RCW 48.05.190 (1).
4. There must be documentation in the commercial lines policies that the insured has been given a written offer to renew a policy which includes increased premium due to rate changes and any changes in contract provisions. This is required RCW 48.18.2901 (1)(b) and (2).
5. Schedule rating must be based on specific factual information and applied to all eligible risks. Schedule debits or credits must be justified by meaningful data pertaining to a particular risk, not a class of risks. If a credit or debit is changed on the renewal, there must be an explanation for each change. WAC 284-24-100 requires this to be done.
6. Experience Rating must be applied to all eligible accounts using all available information to comply with the Companies filed rating plans per RCW 48.19.040 (6).
7. “(a)” rates and judgment rates must be documented to establish that they are not excessive, inadequate or unfairly discriminatory per RCW 48.19.020. “(a)” rates must also include the documentation required by WAC 284-24-070.
8. Notices of cancellation or non-renewal must always give the true and actual reason for the cancellation to comply with WAC 284-30-570.
9. Notices of cancellation and non-renewal must always give additional interests the same amount of time as an insured as required by RCW 48.18.290.

Evidence of continued non-compliance to any of these instructions is addressed in the appropriate sections of this report.

Scope

Time Frame

The examination covered the Companies' operations from February 1, 2000 through January 31, 2001. The examination also covered complaint handling from January 1, 1999 through the present date to test for any adverse trends. This was the second examination of the Safeco Group of Property and Casualty Insurance Companies. The examination was performed at the Companies' regional offices in Seattle and Redmond, Washington.

Matters Examined

The examination included a review of the following areas:

Agent licensing	Complaints
Advertising	Underwriting and Rating
Rate and Form Filings	Cancellations and Non-Renewals
Claims Settlement Practices	

Sampling Standards

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance.

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as "met." The standard in the area of agent licensing and appointment will not be met if any violation is identified. The standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample. For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

COMPANY HISTORY AND OPERATIONS

The following property and casualty companies were actively writing business in Washington and were subject to this examination:

Company Name	Domiciled	Incorporation Date	Date Admitted to Washington
American Economy Insurance Company	Indiana	09/23/1959	11/12/1965
American States Insurance Company	Indiana	07/15/1929	11/12/1965
American States Preferred Insurance Company	Indiana	04/17/1917	11/25/1974
Safeco Insurance Company of America	Washington	09/02/1953	09/02/1953
First National Insurance Company of America	Washington	10/28/1928	11/01/1928
General Insurance Company of America	Washington	05/01/1923	04/27/1923
Safeco Insurance Company of Illinois	Illinois	08/29/1981	06/26/1984

The Safeco Corporation is a publicly traded holding company with 17 wholly owned insurance companies that provide a full line of property and casualty and life and health products. Products are sold by independent agents. Safeco's property and casualty products are written in 50 states and are written in 14 of the corporation's 17 companies. In 1997 the Safeco Corporation acquired the American States companies.

The following is a brief history of the seven Companies subject to this examination:

- American Economy Insurance Company was incorporated under the laws of Indiana September 23, 1959 and began business October 23, 1959. Acquired by the Safeco Corporation in 1997, the name has remained the same.
- American States Insurance Company was incorporated under the laws of Indiana under the name of American Automobile Indemnity Company July 15, 1929 and

began business that same day. The name was changed to its present name in 1930. Acquired by the Safeco Corporation in 1997, the name has remained the same.

- American States Preferred Insurance Company was incorporated under the laws of Indiana August 9, 1979. The name then was American States Preferred Insurance Company of Indiana. The company was formerly a Topeka, Kansas company and incorporated in Kansas in 1917. The name then did not include the “of Indiana”. The operations were conducted under the name of The Preferred Risk Fire Insurance Company until October 1937, when the word “Risk” was dropped. The name American Preferred Insurance Company was taken September 26, 1979 and was changed to the present name March 1, 1988. The acquisition by the Safeco Corporation in 1997 did not result in a name change.
- Safeco Insurance Company of America was incorporated September 2, 1953 under the laws of Washington. The company began business October 1, 1953. The name originally was Selective Auto and Fire Insurance Company of America. The present name was adopted November 2, 1953.
- First National Insurance Company of America was incorporated under the laws of Washington September 28, 1928 and began business November 1, 1928.
- General Insurance Company of America organized under the laws of Washington May 1, 1923. General Casualty Company was formed in 1925 also under the laws of Washington. On June 30, 1957 the two companies merged and kept the name of General Insurance Company of America.
- Safeco Insurance Company of Illinois was incorporated under the laws of Illinois August 29, 1980 and began business January 1, 1981.

The Companies conduct their business through strategic business units (SBU). Commercial lines SBUs included:

- Traditional commercial underwriting
- Select Markets - a division formed in the early 1980's marketing national programs such as the dental program, ambulance program, or agent's E & O. This division provides administrative and claims units to support the national programs.
- Middle market which encompasses American States traditional commercial underwriting.

Personal lines SBUs included:

- Safeco and American States personal lines
- insurQuest which is a division writing only high-risk personal lines auto

Mike McGavick is President and CEO of the Safeco Corporation, Gary Reed is the Chairman of the Board.

Findings

The following Operations and Management Standards Passed Without Comment:

#	OPERATONS & MANAGEMENT STANDARD	REFERENCE
1	The Companies are required to be registered with the Office of the Insurance Commissioner prior to acting as an insurance company in the State of Washington.	RCW 48.05.030(1)
2	The Companies are required to file with the OIC any changes to Articles of Incorporation or amendments for domestic companies.	RCW 48.07.070

GENERAL EXAMINATION STANDARDS

The following General Exam Standards Passed Without Comment:

#	GENERAL EXAM STANDARD	REFERENCE
1	The Companies made available to the examiners all requested information in a timely manner.	RCW 48.03. 030(1) WAC 284-30-650
3	The Companies maintain full and accurate records of the policy records.	RCW 48.05.280

The following General Exam Standard Failed:

#	GENERAL EXAM STANDARD	REFERENCE
2	The Companies conduct their business in their own legal name.	RCW 48.05.190(1), Bulletin 78-7, Bulletin T 2000-06

General Examination Standard #2:

- 13% of the underwriting documents and 3% of the claims documents did not comply with this standard.

Additional details are contained in the Underwriting and Claims sections of this report.

Subsequent event: The companies provided documentation that multiple “broadcast” messages had been sent to employees via the Corporate Announcement on the Intranet and through individual department websites between December 2000 and September 2002 regarding use of the insurer’s legal name.

ADVERTISING

The Companies’ advertising file consisted of 10 items. The examiners reviewed the 10 pieces of advertising from a population of 10 that were used by the Companies during the exam period. These consisted of advertising scripts to be used as radio and television commercials by agents, and samples for billboards.

Advertising documents were examined to determine compliance with the laws governing advertising.

Findings

The Following Advertising Standards Passed Without Comment:

#	ADVERTISING STANDARD	REFERENCE
1	The Companies' advertising materials do not contain any false, deceptive or misleading representations	RCW 48.30.040
2	The Companies do not use quotations or evaluations from rating services or other sources in a manner that appears to be deceptive to the public.	WAC 284-30-660
4	The Companies are required to show the actual financial condition of the Companies as corresponds with the financial statements published by the Companies and must include only those assets actually owned and possessed by the Companies exclusively.	RCW 48.30.070
5	The Companies do not advertise the existence of the Washington Insurance Guaranty Association.	RCW 48.30.075
6	The Companies do not include any statements in their advertising material that would appear to defame the name of other insurers.	RCW 48.30.080
7	The Companies do not misrepresent the terms of their policies in any form during the advertising and solicitation of their products.	RCW 48.30.090
8	The Companies do not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute.	RCW 48.30.140, RCW 48.30.150

The following Advertising Standards Passed With Comment:

#	ADVERTISING STANDARD	REFERENCE
3	The Companies must use their full name and include the location of their home office or principle office in all advertisements.	RCW 48.30.050, Bulletin No.78-7

The examiners expressed concerns that materials designed for use by Safeco agents do not identify the location of the home office. Without that information consumers have no easy way to contact the company if they have any concerns about the advertising.

AGENT LICENSING

The examiners selected 50 agents for the review from a population of 4,488 agents listed by the Companies as appointed in Washington. The examiners compared the Companies' agent records with the Office of the Insurance Commissioner's (OIC) records to ensure that agents were licensed and appointed prior to soliciting business on behalf of the Companies as required by Washington law. All agent findings are reported in this section.

Findings

The following Agent Activity Standards Passed Without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Companies in any way.	RCW 48.17.060(1) and (2)
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies.	RCW 48.17.160

COMPLAINTS

The examiners selected 52 complaint files for review from a population of 541 complaints. Files were reviewed to determine if the Companies responded to complaints within time frames required by their procedures and those required by Washington law. Files were also reviewed for adverse trends. The complaints reviewed included issues of pricing, underwriting, claims settlements, cancellations, and non-renewals.

The examiners also reviewed the Companies' complaint handling procedures. Written complaints are recorded in a special database maintained solely for that purpose. They are then routed to a technical specialist or claims manager assigned to handle Washington complaints. The assigned individual will research the problem and determine what action is warranted, and respond to the inquiry.

Findings

The following Complaint Standard Passed Without Comment:

#	COMPLAINT STANDARD	REFERENCE
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.	WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T 98-4

UNDERWRITING AND RATING

The examiners selected the following samples for the underwriting review:

- 187 commercial policies from a population of 60,677 new and renewed commercial policies
- 80 auto policies from a population of 23,667 new and renewed personal lines auto policies
- 80 property policies from a population of 155,153 new and renewed personal lines property and other peripheral lines such as dwelling fire, umbrella and boat policies
- 25 policies from insureQuest auto from a population of 2,060 new policies

Files were reviewed to determine if:

- the Companies follow their filed rating plans
- the Companies follow their underwriting rules consistently
- the Companies were in compliance with Washington laws.

The examiners manually rated policies to determine if there were any programmed errors in the Companies' computer system and if the Companies were using their filed and approved rates.

The Companies underwrite their business according to business segments. In some sections of the report, the examiner's findings are identified by the underwriting business segment in an effort to clarify the findings. The Companies have three primary commercial underwriting units and two personal lines units:

- Traditional larger markets written in Safeco Companies
- Select markets written in Safeco Companies
- Traditional American States smaller commercial markets and special markets such as Farmowners.
- Personal markets: Traditional personal lines written in Safeco Companies
- insureQuest markets high risk personal lines auto written in American States Companies

Personal Lines Underwriting:

In 2001 the Companies changed their underwriting criteria for personal lines new business. The process was still evolving at the time of the examination. During this transition period, the Companies had also non-renewed less than 1 percent of their personal lines business in force December 31, 2001 based on credit score or credit score plus traditional underwriting reasons between January and June 2001.

The examiners noted that there were no procedures in the underwriting plan to re-tier policies once an insured is placed in a specific market. This includes those policyholders who were with the Companies prior to the credit score based tiering process.

The examiners asked if the policies that were in force were re-tiered as they came up for renewal. Safeco stated that the re-tiering was done only if an insured or agent asked for it. The agents were never advised that the company would re-tier upon request. The re-tier process included all underwriting factors including credit score. The examiners expressed concerns to the company about discriminatory underwriting practices, and the lack of a process to re-tier policyholders.

For example, the examiners identified one policy continually renewed since 1988 in Safeco Insurance Company of America. When the Companies established the credit score based tiers, Safeco Insurance Company of America became the tier called Quality Plus, the Preferred tier. The insured's policy was renewed in this tier. They were not re-underwritten to determine where they belonged based on their current credit score and other underwriting criteria. If this insured had been re-scored, they would have qualified for the Ultra-Preferred tier (General Insurance Company). This would have resulted in a savings of \$44 over a six month policy period for this insured. The company acknowledged that if the insured asked to be re-scored or came to the Companies as a new insured, they would have been given the Ultra-Preferred rate.

During the exam period the Safeco Companies entered into a new market. The insureQuest program is for the high risk or non-standard auto market written primarily through direct sales. The new program is focused on personal automobile coverages; however, the Companies will use it to write limited commercial business as well. The Companies launched insureQuest April 2, 2000 in Texas. Washington was the seventh state to introduce the program with an implementation date of November 4, 2000. This is a stand-alone auto product based on four key factors: product segmentation, system automation, flexible billing options, and claim handling through the existing Safeco claims operations. The insureQuest policies are written in 3 Companies: American Economy Insurance Company, American States Insurance Company and American States Preferred Insurance Company.

The examiners found the following errors and referred them to underwriting management for review:

Commercial Policies

- One file, 01 CD 689616 70 did not have the documentation to back up their underwriting analysis as required by WAC 284-24-070 (3) & (5) for “(a)” rates. Although this was the only policy found to not contain the required documentation, when the examiners asked about this practice they were told that the Companies did not have a formal procedure to document their (a) rate analysis.

insureQuest Policies

- At fault accidents are assigned points and these points are used in rating a risk. One policy, ARW31382 contained an error because the insured had two accidents. A point was not assigned for the at-fault accident as required by their filed rating procedure.

Personal Lines Policies

- The Companies offered a security credit on the Condominium Owners policy. This is called the Condominium Security Credit. According to the filing, eligibility was predicated only to single entry buildings, which had someone on duty 24 hours a day. The Companies were removing the credit from policies that had received the security credit if they felt it had been applied incorrectly. It appeared that the criteria for eligibility needed to be reviewed with the agents.

In any of the listings below, policies with more than one violation will be listed for each violation.

Findings

The following Underwriting and Rating Standards Passed Without Comment:

#	UNDERWRITING & RATING STANDARD	REFERENCE
1	Binders issued to temporarily secure coverage are valid until the policy is issued or ninety days, whichever is shorter and shall identify the company providing the coverage and effective dates.	RCW 48.18.230(1), WAC 284-30-560
2	The Companies require an insured to reject, in writing, underinsured motorist coverage or Personal Injury Protection coverage.	RCW 48.22.030(4), RCW 48.22.085(2)
3	During underwriting, the Companies use only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance.	RCW48.30.310, RCW 46.52.130, Bulletin 79-3
5	The Companies retain all documentation related to the development and use of (a) rates.	WAC 284-24-070

The following Underwriting and Rating and General Examination Standards Failed:

#	UNDERWRITING & RATING STANDARD	REFERENCE
4	The Companies apply schedule rating plans to all policies as applicable in their filing.	WAC 284-24-100
6	The Companies may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage.	WAC 284-30-574
#	GENERAL EXAM STANDARD	REFERENCE
2	The Companies conduct their business in their own legal name.	RCW 48.05.190(1), Bulletin 78-7, Bulletin T 2000-06

Underwriting and Rating Standard # 4:

Commercial Policies

- 57 business auto and commercial package policies (14.8%) did not contain documentation to support debits or credits, or explain why eligible policies were not considered for schedule rating, or debits or credits fluctuated from year to year without explanation. In some cases, files contained evidence that the schedule rating was used as a pricing tool. See Appendix 2 for detail. **This violation was noted in the prior examination.**

Subsequent Event: The Companies provided documentation to the examiners that a training class was held in December, 2001 to address the statutory requirements of documentation related to schedule rating.

Underwriting Standard # 6:

Personal Lines Policies

There are three programs that write homeowners policies. Each program is a separate rating tier. The Companies underwriting guidelines state that if an applicant has been canceled or non-renewed by another carrier, they may not be considered in two of the three programs. Instead, the computer system is programmed to place the insured in the standard market only. This is a prohibited practice as the Companies are basing their underwriting decision solely on the action of another carrier.

Company records are not kept in a format that allows them to identify applications that were denied or placed in the Standard Market program based on these procedures. The Companies need to change their underwriting procedures to eliminate this practice.

Subsequent event: The Companies provided documentation that this procedure has been eliminated in their filing effective December 6, 2001.

The following General Exam Standard Failed:

General Exam Standard #2:

Commercial Policies

- 23 violations (12%) of the policies contained Certificates of Insurance, Evidence of Property Insurance, documents sent to the insured and correspondence that failed to identify the insuring company, identified the insuring company incorrectly, or created names that were not the insuring company such as Safeco Business Insurance or American States Business Insurance. See Appendix 1 for detail.

RATE AND FORM FILINGS

The examiners reviewed forms from the 270 new and renewed policies used in the underwriting sample to determine if the Companies complied with the laws regarding filing and use of forms.

The Companies used Insurance Services Office (ISO) and company developed rates and forms during the exam period.

The Companies corrected the violation identified in the previous exam regarding failure to handle installment payments according to their filings.

Commercial Lines Forms

- In one (1) case, the company used a manuscript endorsement to apply to the interchanging of trailers when an insured was hauling various materials. The company already had a form that was filed and approved to cover this exposure. The file was returned to the company for correction.

Personal Lines Forms Filings

- The Companies had an approved form, # P-3140/WAEP 12/98, used on Dwelling Fire Policies, Special Provisions - Washington. The company added clarification paragraphs to the form about the coverage and re-numbered the form to P-3447/WAEP 12/98. There was no change in the coverage. The new form was not re-filed for approval. The examiners were told that since the Companies did not change any coverages or meanings, they didn't think they needed to re-file the form. The examiners advised the company that the form needed to be re-filed.
- The Companies had an approved form used on Personal Umbrella Policies, an Amendatory Endorsement, # P-3468/WAEP 11/99. The company added clarification paragraphs to the form about the coverage and re-numbered the form to #P-3469/WAEP 11/99. There was no change in the coverage. The new form was not re-filed for approval. The examiners were told that since the Companies did not change any coverages or meanings, they didn't think they needed to re-file

the form. The examiners advised the Companies that the form needed to be re-filed.

The following errors from the commercial underwriting sample were returned to the Companies for corrections:

- Policy 01 CC 636319 10 did not have mandatory form IL 0017, Common Policy Conditions attached.
- Policy 01 CE 205272-3 was rated in the incorrect territory. Re-rating resulted in \$214.00 in return premium to the insured.

Findings

The following Rate and Form Filing Standards Passed Without Comment:

#	RATE & FORM FILING STANDARD	REFERENCE
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use.	RCW 48.18.100
3	The declarations page of a policy will identify all forms that make up the policy. The policy will identify all coverage limits.	RCW 48.18.140
4	Policies must contain all forms and endorsements that make up the contract.	RCW 48.18.190
6	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law.	RCW 48.22.095

The following Rate and Form Filing Standards Failed:

#	RATE & FORM FILING STANDARD	REFERENCE
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, does not issue any policies that are not in accord with the filing in effect.	RCW 48.19.040
5	Policy forms for commercial policies are filed within 30 days of use.	RCW 48.18.103(2)

Rate and Form Filing Standard #2:

- 69 policies were not rated according to the Companies' filed plans or rates because the expense modifier used was not filed and approved for use.

- 1 policy was not rated according to the filing.

See Appendix 3 for details.

Subsequent event: The Companies advised they complied with the examiners' instruction to immediately cease using the expense modifier while the examiners were on site effective October 18, 2001.

Rate and Form Filing Standard #5:

- 2,234 policies written in the farm program were issued with advisory forms identified by form number on the declarations page of the policy. These forms were not intended to become endorsements to the policy. However, as they were listed in the policy, they should have been filed and approved for use to comply with the law. The Companies were attaching documents such as a schedule rating worksheet sheet (9-3818 ed. 0698), an Advisory Notice to Policyholders (6-4465 ed.12/98), a rating worksheet (9-5110 ed. 80/95 and Consumer Privacy Statement (6-4664 ed. 0401) to their Farmowners policies. The Companies told the examiners that this was a programming error that only occurred in their farm policy program. It was designed to automatically attach the documents to new business and renewal policies. It was not their intention to have the materials added to become part of the policy.
- 23,101 policies (includes multiple terms) did not have mandatory form BP7080 attached as required in Rule 14 of the Washington Exception Pages. 2 policies are identified in Appendix 3 as examples from the sample.

Subsequent event: The Companies corrected the programming to stop this practice while the examiners were on site.

- Two policies did not have form CG 8603 Ultra Contractor Liability Plus Endorsement attached as required by the Ultra Contractor program.

See Appendix 3 for details.

CANCELLATIONS AND NON-RENEWALS

The examiners selected a sample of 170 policies from a population of 10,049 commercial policies and 50 personal policies from a population of 47,379 policies, and 25 policies from a population of 176 insureQuest policies for review. The policies were either cancelled or non-renewed during the exam period. The files were reviewed to determine if the Companies complied with state laws governing cancellations and non-renewals.

In addition to the original sample, the examiners also requested additional information regarding personal lines policies cancelled or non-renewed. Beginning January 1, 2001 the Companies significantly changed their criteria for cancellation and non-renewal of

policies. Between January 1, 2001 and March 31, 2001 the Companies used credit score as the only basis for cancellation or non-renewal. Between April 1, 2001 and June 30, 2001 credit scoring was used as the primary factor in conjunction with other criteria for the Companies' decision to cancel or non-renew in both their homeowners and auto book of business. The examiners selected 25 auto policies from a population of 562 policies and 25 homeowner policies from a population of 365 policies non-renewed based on credit score only. Also selected were 25 auto policies from a population of 867 policies and 25 property policies from a population of 496 policies that were non-renewed based on credit score and other underwriting factors.

The Companies advised that the shift in their underwriting guidelines was based on the need to remain competitive in the market place.

Findings

The following Cancellation and Non-renewal Standards Passed Without Comment:

#	CANCELLATION & NON-RENEWAL STANDARDS	REFERENCE
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the company.	RCW 48.17.591

The following Cancellation and Non-Renewal Standards Failed:

#	CANCELLATION & NON-RENEWAL STANDARDS	REFERENCE
2	The Companies send offers to renew or cancellation or non-renewal notices according to the requirements prior to policy termination.	RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292
3	The Companies include the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured.	WAC 284-30-570

Cancellation and Non-Renewal Standard #2:

The company must give at least 45 days notice (RCW 48.18.290) to policy holders except as provided in RCW 48.18.291 (private passenger automobile).

Commercial policies

- One (1) commercial policy did not give the required notice within the timeframes established by statute for non-payment.

insureQuest policies

In reviewing the cancellation practices and procedures for the insureQuest products, it was noted that the Companies were canceling policies using 20 days, which is minimum time required in RCW 48.18.291. The policy form, SQ0109/WAEP 9/00 states in part that the company “may cancel by mailing notice to you at the address shown in this policy.” ...the company will mail the notice “at least 45 days before the cancellation date”. The Companies must follow the time frame stated in the policy.

- 159 policies were canceled using an incorrect cancellation time frame. A list of the affected policies is in the examiner's work papers.

See Appendix 4 for details.

Subsequent Event: The Companies changed their procedure to comply with their contract and use 45 days until such time as a corrected filing could be submitted and approved to conform to the language in RCW 48.18.291.

insureQuest contracted with a private vendor to process and mail cancellation notices. The Companies relied on the vendor to maintain the documentation showing proof of mailing. During the review, the examiners requested copies of the proof of mailing dates to determine if the Companies were in compliance with RCW 48.18.290. The company was not able to provide documentation as required. The examiners requested a list of all the policies that were cancelled or non-renewed that could not be documented as mailed in compliance with RCW 48.18.290.

- 2,834 policies contained non-renewal or cancellation notices that could not be verified as mailed within the required time frame. The list is contained in the examiners work papers.

See Appendix 4 for detail.

Cancellation and Non-Renewal Standard #3:

Commercial policies

- 13 policies were cancelled or non-renewed without sufficient information to explain the company's decision, or contained insurance jargon, which would require additional work by the insured to determine the reason for the company's action.

Personal lines policies

- 15 policies were non-renewed without sufficient information to explain the company's decision without further research

insureQuest policies:

- 3 automobile policies were cancelled with the following reason: “excessive violations found on (driver’s name inserted) motor vehicle report.” There was no explanation of how many violations or the type of violations that were considered excessive.

This violation was noted in the prior examination.

See Appendix 4 for detail.

CLAIM SETTLEMENT PRACTICES

The examiners selected 440 claim files for review from a population of 47,434 commercial and personal lines claims closed during the examination period. Files were reviewed for:

- Compliance with Washington law
- Timeliness of contact with claimants
- Promptness of payments
- Explanation of coverages available
- Procedures for establishing actual cash value
- Documentation of claim files

Most claims are handled in the regional claims office in Redmond, Washington. The examiners identified a significant number of coding errors. Although there were no violations associated with these errors, the failure to correctly code the claims under the appropriate line of coverage could eventually affect rates. This was particularly evident in Underinsured Motorist Property Damage (UMPD) claims. The Companies’ policy is to pay the UMPD loss under collision coverage if the insured has collision coverage. The only payment that is made under UMPD is for the difference between the UMPD and the collision deductible (if any).

The following errors were identified and returned to the Companies for correction or follow-up:

- Incorrect deductible taken. Recovery to insured \$200.
- Deductible not reimbursed. Recovery to insured \$250.
- Paid as collision. Corrected to UMPD. Recovery to insured \$200.
- Paid as collision. Corrected to UMPD. Recovery to insured \$500
- Incorrect PIP denial. Coverage decision changed. Recovery to insured \$4600.
- Claim paid as UMPD with \$100 deductible. Insured did not have the coverage. The deductible should have been \$500.
- 136 claim files contained checks that were not coded according to company policy.

Findings

The following Claims Standard Passed Without Comment:

#	CLAIMS STANDARD	REFERENCE
9	The Companies properly send vehicle titles or other accepted documentation to the Department of Licensing for destruction.	RCW 46.12.070, WAC 308-56A-460

The following Claims Standards Passed With Comment:

#	CLAIMS STANDARD	REFERENCE
1	The Companies settle claims in a manner which is not in conflict with any section of the Unfair Claims Settlement Practices set forth in Washington regulations.	WAC 284-30-330
3	The Companies' claim files shall contain documentation that all pertinent benefits and coverage were disclosed to the first party claimants.	WAC 284-30-350
4	The Companies acknowledge all communications on a claim within the time frames prescribed in Washington administrative code.	WAC 284-30-360
5	The Companies comply with requirements for prompt investigation of claims.	WAC 284-30-370
6	The Companies settle or deny any first party claim after receipt of documentation of the claim within 15 days.	WAC 284-30-380
7	The Companies settle auto claims in a prompt, fair, and equitable manner.	WAC 284-30-390

Claims Standard # 1: WAC 284-30-330(9) requires claim checks made to insureds or beneficiaries to identify under which coverage the payment is made.

- One payment did not identify the coverage under which it was made.

Claims Standard #3: Claim files will contain documentation that pertinent coverages were disclosed to first party claimants.

- Four (4) files did not contain evidence that the claim handler recognized and advised the insured about pertinent coverage available or the claim handler did not explain coverage restrictions such as time frames in the 180 day contents replacement clause.
- One (1) file contained evidence that the claim handler did not give the correct information on deductibles and UMPD coverage.

Claims Standard #4: Communications regarding claims will be addressed within the Regulation's guidelines.

- One (1) file contained evidence of delays in contacting the insured.
- Two (2) files had delays in acknowledging or responding to subrogation notices.

- One (1) medical pay claimant was referred to Medicare (med. pay coverage was primary).
- One (1) demand package for settlement was not acknowledged or addressed within the prescribed time frames.

Claims Standard # 5: Companies will investigate claims in a timely fashion (within 30 days unless the file reflects reasons this cannot be done).

- Six (6) files contained evidence of significant delays in investigation. These files involved delays in coverage decisions, scene investigations, and SIU investigations.

Claims Standard # 6: First party claims will be accepted or denied within 15 days of receiving supporting documentation.

- Medical bills for one claim were delivered to the claim department. They were not paid until seven (7) weeks later. There was no explanation in the file for the delay.

Claims Standard #7: Companies will settle first party auto claims in a fair, equitable and prompt manner.

- Three (3) files did not contain evidence that title or transfer fees were included in the settlement.
- One (1) file contained condition adjustments without supporting documentation.
- One (1) file had vehicles used that were not comparable to the insured vehicle.
- Two (2) files used vehicles that were not in the local market area of the insured.

See Appendix 5 for detail.

The following Claims Standards Failed:

#	CLAIMS STANDARD	REFERENCE
2	The Companies' claim files contain detailed log notes and work papers that allow reconstruction of the claim file.	WAC 284-30-340
8	The Companies comply with regulations concerning personal injury protection (PIP) coverage.	WAC 284-30-395
#	GENERAL EXAMINATION STANDARD	REFERENCE
2	The Companies conduct their business in their own legal name.	RCW 48.05.190(1), Bulletin 78-7, Bulletin T-2000-06

Claims Standard #2: The Companies' claim files contain detailed log notes and work papers in such detail that dates of pertinent events can be reconstructed.

- 32 claim files did not contain enough information in the log notes and/or work papers to allow the reconstruction of pertinent events.

See Appendix 5 for detail.

Claims Standard # 8: The Companies claim files will reflect compliance with the Regulation concerning notification of PIP benefits, and circumstances under which the benefits may be terminated, limited, or denied.

1,430 claims opened and closed with payments between 2/1/00 and 6/30/01 did not contain evidence that the Companies had complied with WAC 284-30-395. See Appendix 5 for detail.

Subsequent event: The Companies provided evidence that the notification of PIP benefits had been revised and procedures had been changed to comply with WAC 284-30-395 while the examiners were on site.

General Examination Standard # 2 :

- The examiners determined that letters being sent from the subrogation department did not identify the specific insuring company. Two (2) examples are identified in the Appendix from the sample.
- Nine (9) letters in claim files did not identify the insurer or identified the wrong insurer.

See Appendix 1 for detail.

SUMMARY OF STANDARDS

General Examination Standards:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies made available to the examiners all requested information in a timely manner. (RCW 48.03.030(1) and WAC 284-30-650)	9	X	
2	The Companies conduct their business in their own legal name. (RCW 48.05.190(1), Bulletin 78-7, Bulletin T 2000-06).	9, 16, 23		X
3	The Companies maintain full and accurate records of the policy records. (RCW 48.05.280)	9	X	

Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies are required to be registered with the Office of the Insurance Commissioner prior to acting as an insurance company in the State of Washington. (RCW 48.05.030(1))	9	X	
2	The Companies are required to file with the OIC any changes to Articles of Incorporation, or amendments for domestic Companies. (RCW 48.07.070)	9	X	

Advertising:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies' advertising materials do not contain any false, deceptive or misleading representations. (RCW 48.30.040)	10	X	
2	The Companies do not use quotations or evaluations from rating services, advisory services or other sources in a manner that appears to be deceptive to the public. (WAC 284-30-660)	10	X	
3	The Companies must use their full name and include the location of their home office or principle office in all advertisements. (RCW 48.30.050)	10	X	
4	The Companies are required to show the actual financial condition of the Company as corresponds with the financial statements published by the Company and must include only those assets actually owned and possessed by the Company exclusively. (RCW 48.30.070)	10	X	
5	The Companies do not advertise the existence of the Washington Insurance Guaranty Association. (RCW 48.30.075)	10	X	
6	The Companies do not include any statements in their advertising material that would appear to defame the name of other insurers. (RCW 48.30.080)	10	X	
7	The Companies do not misrepresent the terms of their policies in any form during the advertising and solicitation of their	10	X	

#	STANDARD	PAGE	PASS	FAIL
	products. (RCW 48.30.090)			
8	The Companies do not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute. (RCW 48.30.140, RCW 48.30.150)	10	X	

Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Advisory T98-4)	11	X	

Agent Activity:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies ensure that agents are licensed for the appropriate line of business with the State of Washington prior to allowing them to solicit business or represent the Companies in any way. (RCW 48.17.060(1) and (2))	11	X	
2	The Companies require that agents are appointed to represent the Companies prior to allowing them to solicit business on behalf of the Companies. (RCW 48.17.160)	11	X	

Underwriting and Rating:

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued by the Companies to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter. (RCW 48.18.230(1))	14	X	
2	The Companies require an insured to reject, in writing, underinsured motorist coverage. (RCW 48.22.030(4))	14	X	
3	During underwriting, the Companies obtain and use only the personal driving record for personal insurance and only the employment driving record for commercial insurance. (RCW 48.30.310, RCW 46.52.130, Bulletin 79-3)	14	X	
4	The Companies apply schedule rating plans to all policies as applicable. (WAC 284-24-100)	15		X
5	The Companies retain all documentation related to the development and use of “(a)” rates. (WAC 284-24-070)	14	X	
6	The Companies may not rely solely on the decision of another	15		X

#	STANDARD	PAGE	PASS	FAIL
	insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage. (WAC 284-30-574)			

Rate and Form Filings:

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100)	17	X	
2	Where required, the Companies have filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040)	17		X
3	The declarations page of a policy will identify all forms that make up the policy. The policy will identify all coverage limits. (RCW 48.18.140)	17	X	
4	Policy must contain all endorsements and forms (RCW 48.19.190)	17	X	
5	Policy forms for commercial policies are filed within 30 days of use. (RCW 48.18.103(2))	17		X
6	Personal Injury Protections forms issued by the Companies contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095)	17	X	

Cancellations and Non-Renewals:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies do not cancel or refuse to renew policies because the agent is no longer affiliated with the company. (RCW 48.17.591)	19	X	
2	The Companies send offers to renew or cancellation or non-renewal notices within the prescribed time frames. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	19		X
3	The Companies include the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570)	19		X

Claims:

#	STANDARD	PAGE	PASS	FAIL
1	The Companies settle claims in a manner which is not in conflict with any section of the Unfair Claims Settlement Practices set forth in Washington regulations. (WAC 284-30-330)	22	X	
2	The Companies' claim files contain detailed log notes and work papers that allow reconstruction of the claim file. (WAC 284-30-340)	23		X
3	The Companies' claim files shall contain documentation that all pertinent benefits and coverage were disclosed to the first party claimants. (WAC 284-30-350)	22	X	
4	The Companies acknowledge all communications on a claim within the time frames prescribed in Washington administrative code. (WAC 284-30-360)	22	X	
5	The Companies comply with requirements for prompt investigation of claims (WAC 284-30-370)	22	X	
6	The Companies settle or deny any first party claim after receipt of documentation of the claim within 15 days. (WAC 284-30-380)	22	X	
7	The Companies settle auto claims in a prompt, fair, and equitable manner. (WAC 284-30-390)	22	X	
8	The Companies comply with regulations concerning personal injury protection (PIP) coverage. (WAC 284-30-395)	23		X
9	The Companies properly send vehicle titles or other accepted documentation to the Department of Licensing for destruction. (RCW 46.12.070), (WAC 308-56A-460)	22	X	

INSTRUCTIONS AND RECOMMENDATIONS

1. The Companies are instructed to establish procedures that ensure compliance with RCW 48.05.190(1) and that all policy quotes, policy documents and all correspondence correctly identify the legal name of the insuring company. (Pages 9, 16 & 23)
2. The Companies are instructed to establish procedures to ensure that every commercial policy eligible for schedule rating is included, and that documentation supports compliance with WAC 284-24-100. (Page 15)
3. The Companies are instructed to establish procedures to ensure that underwriting decisions to decline or terminate coverage are not based on another insurer's decision to cancel, non-renew or terminate coverage pursuant to the requirements of WAC 284-30-574. (Page 15)
4. The Companies are instructed to establish procedures to comply with RCW 48.19.040(6) regarding filings, rating plans and application of approved rates. (Page 17)
5. The Companies are instructed to file all forms not covered under RCW 48.18.100 as required under RCW 48.18.103 within 30 days of use. (Page 17).
6. The Companies are instructed to send notification of renewals, cancellation or non-renewals within the time frame requirements stated in RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, or RCW 48.18.292. (Page 19)
7. The Companies are instructed to ensure that all claim files contain work papers and log notes in such detail that the claim can be reconstructed as required in WAC 284-30-340. (Page 23)
8. The Companies are instructed to notify all PIP claimants of the conditions under which PIP benefits may be limited, terminated, or denied as required in WAC 284-30-395 within a reasonable time of receiving notice of an insured's intent to file a claim. (Page 23)
10. The Companies are instructed to always include the actual reason for canceling, denying or refusing to renew an insurance policy as required by WAC 284-30-570. (Page 19)

APPENDIX 1

GENERAL EXAM STANDARDS

COMMERCIAL LINES	SAFECO COMPANIES
BA 235610	Letter of 9-19 does not identify the insuring company.
CP 7171564	16 Certificates of Insurance do not identify the insuring company.
CP 7772509	Proposal for coverage says "Safeco" instead of "Safeco Insurance Company of America".
CP 7776332	38 Certificates of Insurance and 2 binders do not identify the insuring company.
BA 8161822	18 Certificates of Insurance and 2 binders do not identify the insuring company.
BA 8480432	The binder on the file identifies the insurer as "Safeco National Insurance Company". The insurer is actually "Safeco Insurance Company of America". The quote prepared does not identify the insurer.
CP 8159626	All of the certificates in a 3 ring binder were issued without identifying the insuring company. The certificates say "Safeco Insurance Companies".
CP 8487237	45 Certificates of Insurance identify the wrong insuring company. The certificates say "Safeco Insurance Company". The Insurer is "First National Insurance Company".
CP/BA 8487065	25 Certificates of Insurance on these two policies for one insured identify "Safeco" as the insuring company. The insurer is "Safeco Insurance Company of America".
CP8477400	Certificates of Insurance do not identify the insuring company,
CP2300601	3 Evidence of Property Insurance forms do not identify the insuring company.
CP/BA 8487353	Evidence of Property Insurance forms do not identify the insuring company. Letter to insured does not identify the insuring company.
BA 8481150	Letter from loss control representative does not identify the insuring company.
COMMERCIAL LINES	AMERICAN STATES
01CE081893-40	Non-renewal notice states : American States Business Insurance is no longer in the market..." The insurer is American Economy Insurance Company.
02CC7371011-40	Non-renewal notice states "ASBI will no be offering a renewal policy..." The insurer is American Economy Insurance Company.

02CC721322-40	Non-renewal notice states "Safeco/American States can no longer offer....." The insurer is American Economy Insurance Company.
02CC981676-10	Non-renewal notice states "ABSI is no loner in the market...." The insurer is American Economy Insurance Company.
01CE421743	2 letters are written on generic Safeco Letterhead. The insurer is American States Insurance Company.
01CE783235	Form E Certificate of Insurance shows "American States Business Insurance" as the insurer. The insurer is American States Insurance Company.
02CC986658-2	2 documents: Cover sheet entitled "Your Insurance Policy from Safeco Business Insurance", and a letter or insert that says "Thank you for allowing Safeco Business Insurance to fulfill your insurance needs". Both also show "Safeco Insurance Company of America". The insurer is American Economy Insurance Company.
01CE091617-5	3 documents do not comply with RCW 48.05.190 because they identify one or more of the following: "Safeco Business Insurance" or "Safeco". The insurer is American Economy Insurance Company.
02CC908740-3	3 documents on the file do not comply with RCW 78.05.190 because they identify one or more of the following: American States Insurance-a Safeco Company, Safeco Business Insurance, Safeco Insurance Company of America. The insurer is American Economy Insurance Company.
02 BO455698-7	5 documents on the file do not comply with RCW 48.05.190 because they identify one or more of the following: American States Insurance-A Safeco Company, (forms 6-3710(3/98), 6-3630(3-98), 6-3756 (12-98), or American States Business Insurance presented by Safeco, or Safeco's American States Business Insurance. The insurer is American Economy Insurance Company.
PERSONAL LINES	ALL COMPANIES
H1683720	The letter of 7/18/00 refers to the insurer as Safeco. The actual insurer is not identified.
CLAIMS	ALL COMPANIES
General Business Practice	Letters from the subrogation department did not identify the insuring company.
02CC789229	Subrogation demand shows Safeco Insurance Companies as the return address, Safeco Insurance Companies of America in the signature block. The company is actually American Economy Insurance Company.

22A002371354	Subrogation Letter shows Safeco Property and Casualty Insurance Companies in the letterhead. The signature block shows Safeco Insurance Company. The insurer is actually Safeco Insurance Company of Illinois.
21A001891806	The letter of July 12, 2000 identifies the insurer as American States. The insurer is actually American Economy Insurance Company.
21A00192688	The letter of May 16, 2000 identifies the insurer as Safeco Property and Casualty Insurance. The insurer is actually American States Insurance Company.
21A002583112	The letter of August 14, 2000 identifies the insurer as American States Insurance Company. The insurer is actually American Economy Insurance Company.
26A001923093	The letter of 10/3/00 identifies the insurer as Safeco of America. The insurer is American Economy Insurance Company.
21A002071670	The letter of 7/23/00 identifies the insurer as Safeco Insurance Company. The insurer is actually Safeco Insurance Company of America.
21A002163059	The letter of 8/14/00 identifies the insurer as American States Insurance Company. The insurer is actually American Economy Insurance Company.
26A002353808	There are two letters on the file that refer to Safeco throughout the body of the letter. The insurer is actually American States Insurance Company.
21A001743265	Multiple letters identify the wrong insuring company. (Safeco/American States Insurance Co., Safeco Insurance Company if Illinois.) The actual insurer is American Economy Insurance Company.
21A002910798	The letter of 12/12/00 identifies the insurer as Safeco Insurance Companies of America. The insurer is actually Safeco Insurance Company of Illinois.

APPENDIX 2

UNDERWRITING & RATING STANDARD #4

POLICY NUMBER	FINDINGS	OVER CHARGE AMOUNT
CP 2300601	Company did not consider schedule rating. Company raised premium to meet a minimum premium to make the insured eligible for the Property Protection Plan. Coverage was charged for, but policy not endorsed until 5/17/2000. Examiners required company to return overcharged premium.	2579.00
CP 2291371	Company debited policy 25% with no justification. Examiners required company to return overcharged premium.	276.00
CP 8464461	Credits dropped without documentation of change of risk to generate premium. Examiners required company to return overcharged premium.	600.00
CP 8477400	Credits applied to policy. No documentation on file to support the underwriter's decision.	
CP 8529781	Credits applied without documentation on the file. Will be corrected at renewal.	
BA 2351610	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 8481942	Credits applied without documentation on the file. Will be corrected at renewal.	
BA 8449564	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 7171564	Company did not document that schedule rating was considered for this risk although it is eligible.	
CP 7772509	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 8455177	Company exceeded debits in their filed rating plan. Examiners required company to return overcharged premium.	
LP 7108688	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	
DCM 7426484	Company did not document that schedule rating was considered for this risk although it is eligible.	
DCM 7423005	Company did not document that schedule rating was considered for this risk although it is eligible.	
CP 7759442	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	
CP 8485375	Debits applied without documentation on the file. Will be corrected at renewal. Company convinced examiners that the debits were justified, but not documented appropriately.	
CP 8410920	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	
CP 8461568	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 8484215	Credits applied without documentation on the file. Will be corrected at renewal.	
CP/BA 2394759(2)	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 2216809	Credits were dropped at renewal to increase premium, no documentation. No documentation to support credits on file.	
CP 8482552	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	2671.00
CM 7881504	Credits applied without documentation on the file. Will be corrected at	

	renewal.	
CM 7881785	Credits applied without documentation on the file. Will be corrected at renewal.	
CM 7881824	Credits applied without documentation on the file. Will be corrected at renewal.	
CM 7881840	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 7773008	Credits applied without documentation on the file. Will be corrected at renewal.	
SM 7870175	Credits applied without documentation on the file. Will be corrected at renewal.	
CP 771964	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	32.00
CP/BA 8487353(2)	Company applied debits without supporting documentation. Examiners required company to return overcharged premium. Prior policy period the policy had credits.	3563.00
CP 937325	Company applied debits without supporting documentation. Examiners required company to return overcharged premium.	485.00
CP 8482704	Company applied debits without supporting documentation or analysis. The company was able to convince the examiners the debits were warranted. Analysis was added to the file.	
BA 8478342	Credits applied without documentation to the file. Will be corrected at renewal.	
BA 2373019	Credits applied without documentation on the file. Will be corrected at renewal.	
	American States Policies	
01 CE 755055 10	The company was unable to provide sufficient documentation to explain why no credit or debit was applied.	
02 BO 695748	The company was unable to provide sufficient documentation for the credits that were applied.	
01 CD 370096 90	In a 3 year period the credits being applied were decreased and increased, without supporting documentation.	
02 CC 795723 40	The company was unable to provide sufficient documentation to explain why no credit or debit was applied.	
01 CE 738775 10	The risk had been quoted with credits and then changed to a program that was not eligible for the schedule rating plan. The underwriter applied the credits to the ineligible program.	
01 CD 587471	The company was unable to provide sufficient documentation for the credits that were applied.	
01 CE 769913 10	The company was unable to provide sufficient documentation for the credits that were applied.	
02 BO 440795	The company was unable to provide sufficient documentation for the credits that were applied.	
02 BO 952240 10	The companies allow some of their agents to apply the schedule rating plans. The agent on this risk applied credits to meet a price competition. There was no documentation to support the credits.	
01 FF135821-1	The company was unable to provide sufficient documentation for the credits that were applied.	
01 FF 138330-10	The company was unable to provide sufficient documentation for the credits that were applied.	
01 FF 135821-1	The company acknowledged that the credits that were applied were inappropriate because this is an average risk. Credits will be removed at next renewal.	

01 FF 138571-10	The company acknowledged that the credits that were applied were inappropriate because this is an average risk. Credits will be removed at next renewal.	
01 FF 135931-10	The company acknowledged that the credits that were applied were inappropriate because this is an average risk. Credits will be removed at next renewal.	
01 FF 135842	The company acknowledged that the credits that were applied were inappropriate because this is an average risk. Credits will be removed at next renewal.	
01 FF 136841	The company was unable to provide sufficient documentation for the credits that were applied.	
01 FF 136056	The company stated the debits were applied appropriately, but the reasons given were not appropriate.	
01 FF 136755	The company acknowledged that the credits that were applied were inappropriate as this is an average risk. In order to correct this, the company was attempting to correct the error by gradually reducing credits each year rather than all at once.	
01 FF 3533530	The company was unable to provide sufficient documentation for the credits that were applied.	
01 CD 73930860	The company was unable to provide sufficient documentation for the credits that were applied.	
01 FF 13834110	The company applied schedule rating to a policy that did not meet the minimum premium to qualify.	

APPENDIX 3 RATES & FORMS

Policy #	Finding	Over Charge
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		Amount
	Standard #2-All Safeco Companies:	
67 policies list in work papers	Expense modification used was not filed and approved.	
CP/BA 8477400	Expense modification used was not filed and approved.	
BA 849564	Expense modification used was not filed and approved.	
BA 8643320	Trailer interchange endorsement rate not filed and approved.	150.00
BA 2351610	Expense modification used was not filed and approved.	
CP 8529781	Expense modification used was not filed and approved.	
CP 8455177	Company had filed plan in place. Policy rated with debits that exceeded the ranges in the filing.	183.00
CP 8487157	Expense modification used was not filed and approved.	
DCM 2101859	Policy was not rated according to filing in place.	2484.00
CP/BA 8487355	Expense modification used was not filed and approved.	
BA 7772509	Expense modification used was not filed and approved.	
CP/BA 8487353	Policy premium did not qualify for expense modification that was used.	
02CC651882	Policy not rated according to the filing.	1268.00
01 FF 138341-10	The schedule rating plan required a minimum premium of at least \$750 to be eligible for the application of schedule rating. This policy did not meet the minimum premium requirements; however, 25% credits were applied.	
	Standard #5-All Safeco Companies:	
2234 policies	Policy list contained in the examiner's work papers. The companies listed advisory forms on the declaration pages of the policies written in the farm program. These forms were not intended to become endorsements to the policy, and therefore didn't need to be filed. As they were listed on the policy to comply with the law, they should have been filed and approved. The company has corrected the programming to stop this practice.	
01 CE 744365	Mandatory endorsement form CG 8603 not attached to the policy as required.	
01 CE 755055	Mandatory endorsement form CG 8603 not attached to the policy as required.	
23,101 policies	The companies were not attaching mandatory form BP7080 to policies that did not have building coverage. List contained in the examiners work papers.	
02BO13895960	Example of Form BP 7080 (mandatory form) not attached to the policy.	
02BO680630	Example of Form BP 7080 (mandatory form) not attached to the policy.	

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APPENDIX 4 CANCELLATIONS & NON-RENEWALS

Policy #	Findings	Overcharge Amount
	Standard #2-Safeco Companies	
CP 7171564	The required 10 day notice for non-payment was not	

	given to the lien-holder or Certificate holder.	
insureQuest		
159 policies	List contained in the examiner's work papers. Policies not cancelled in accordance with the language in their filed policy.	
	Standard #3	
	American States	
01CE57959910	"Non-renewal—Insured is fraternity or sorority exposure"	
02CC89070410	"Non-renewal due to loss frequency."	
01CE88163210	"Non-renewing policy due to potential for large commercial auto claims arising from operation of heavy-weighted vehicles"	
02CC89070410	"We are non-renewing this account due to underwriting concerns regarding this class of business. If you have any questions, then please contact your agent."	
01CE48809620	"Non-renewing policy due to potential for large commercial auto claims arising from operation of heavy-weighted vehicles."	
01CE70244210	"Non-renewal due to potential for large commercial auto claims arising from operation of heavy-weighted vehicles claims arising from operation of heavy-weighted vehicles."	
01CE 360009-30	"Reason-we originally wrote this account as an accommodation because we had the collateral business. The collateral business has been placed elsewhere. Considering this is a tough class of business to write, the premium is low and the collateral business has gone elsewhere we prefer the account be placed in another market."	
01CD88251150	"Loss frequency: 10 claims in 7 years totaling \$13,382.66"	
01FF09629620	"Required underwriting information needed to complete file has not been received."	
02CC475604-80	"Due to adverse loss history, policy will not renew."	
01CD68678860	"Non-renewing policy due to loss activity."	
01SU14739880	"Package policy being set up for non-renewal"	
01-CE-240886-30	"Due to loss frequency and severity."	
	insureQuest	
22152	Policy was cancelled because of "excessive violations found on (driver's name inserted) motor vehicle report". There was no explanation of how many violations or the type of violations that were considered excessive.	

24277	Policies were cancelled because: “excessive violations found on (driver’s name inserted) motor vehicle report.” There was no explanation of how many violations or the type of violations that were considered excessive.	
	Personal Lines	
H163328	Non-renewal notice did not provide sufficient information.	
M1294066	Non-renewal notice did not provide sufficient information.	
M1187305	Non-renewal notice did not provide sufficient information.	
M1058878	Non-renewal notice did not provide sufficient information.	
H1704464	Non-renewal notice did not provide sufficient information.	
OH 10190027	Non-renewal notice did not provide sufficient information.	
OH 1028671	Non-renewal notice did not provide sufficient information.	
OH 1060984	Non-renewal notice did not provide sufficient information.	
OH 1145212	Non-renewal notice did not provide sufficient information.	
OH 1194678	Non-renewal notice did not provide sufficient information.	
OH 1285549	Non-renewal notice did not provide sufficient information.	
OM 1002396	Non-renewal notice did not provide sufficient information.	
OM 2172489	Non-renewal notice did not provide sufficient information.	
H1743983	Non-renewal notice did not provide sufficient information.	
H1694186	Non-renewal notice did not provide sufficient information.	

APPENDIX 5 CLAIMS

	Claims Standard #2
Claim #	Finding
21A001523804	Documentation in the file is not sufficient to explain activities or gaps in the file handling.

21A0011466	Unable to verify date that insured delivered bills to company
21A001404369	Claim closed without accepting or denying claim. Sent by examiners to be re-opened.
21A003052066	No documentation to support the decision making process about why bills were not being paid, or why or when coverage was accepted.
21A002153009	No documentation in the file of returning insured's call of 8/11/00.
26A001292810	No documentation that insured was provided an estimate as required in WAC 284-30-390(5)
26A000971725	No discussion about how the loss occurred or where.
21A001651277	File does not contain the estimate or bill supporting the payment
21A00541351	No documentation of offer of settlement to the insured, or documentation of salvage bid calls.
21A001620469	Documentation not date stamped. No way to tell when it was received.
21A003450124	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A002540194	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001722334	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A002910798	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001541861	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A000411746	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A002292722	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A000953325	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001243711	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001583588	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)

21A000520811	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001560139	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A002880368	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A002003831	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A000632538	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
21A001011851	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A001883317	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A001292810	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A001931952	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A002703447	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A001442340	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
26A002712538	No documentation in the file satisfying the requirement that the company provided a copy of a company prepared repair estimate to the insured pursuant to WAC 284-30-390(5)
	Claim Standard #3
21A00128115	No documentation that contact was made with insured to explain coverage.
21A003052066	No documentation in the file that the claim handler recognized or advised the claimant of the med pay coverage available.
21A00122915	No documentation that the insured was advised of the 180 day replacement clause for contents.
21A000893705	Insured not advised of the available Personal Injury Benefits coverage.

21A001311091	Insured was advised of incorrect deductible for UMPD coverage.
	Claim Standard #4
21A00128115	Company made no attempt to contact insured between 5/9 and 6/5. No documentation that insurer provided inventory sheets for the insured to complete.
21A001204369	No documentation that the claimant carrier who had subrogated ever received a final acceptance or denial of the claim. Returned by the examiners to be re-opened.
21A001629469	Subrogation notice received 8/16/00, no acknowledgement until the claim was paid on 9/18/00.
21A003052066	Medical bills submitted for the med pay claim 2/5/01. They were not paid until 5/3/01. The claim handler told the claimant to make a claim under Medicare (prohibited by 42CFR411.50)
21A002662544	Claimant demand package received on 5/31/01. Not acknowledged by claim handler until 7/12/01.
	Claim Standard #5
21A00128115	Long gaps between attempts to contact the insured. Initial contact attempt 5/9, then next contact was 6/5.
21A001932319	Insured contacted 7/11, claimant contacted 7/17, diary set for 7/31, scenes inspection assigned on 8/10.
21A00333367	Delayed coverage decision. Claim reported 11/28, coverage question noted 1/10, coverage decision 1/22.
21A001722334	Delay in investigation and coverage decision. Loss reported 6/17, coverage denial 11/3.
21A001652369	Delayed investigation. 6/16 to 8/4.
21A001523804	Delayed investigation. File assigned to SIU 6/22, no activity until 8/16.
	Claim Standard #6
21A0011466	Bills were brought to claim dept on 4/26. Not paid until 6/6.
	Claim Standard #7
21A002831646	Condition adjustments made without supporting documentation.
21A00134212	Vehicles used in the evaluation were not verified as comparable to the insured vehicle.
21A010224379	No documentation that license fees were included in the settlement.
21A001083718	Vehicle included in evaluation is outside local market area- Insured in Aberdeen-vehicle in Bellingham-172 miles from

	insured.
21A003131294	No documentation that license fees were included in the settlement.
26A00086147	Vehicles included in evaluation were not in the local market area of Spokane. One vehicle was in Bremerton, and one was in Mt. Vernon, both approx. 240 miles from the insured. Re-evaluation indicated the value was approximately \$400 less than in the Spokane area.
21A00294045	No documentation that title transfer fees were included in the settlement.
21A00150620	No documentation that the license fees were included in the settlement.
	Claim Standard #8
1430 claims-see workpapers for claim numbers	1430 claims opened and closed with payments between 2/1/00 and 6/30/01 did not contain evidence that the company had complied with WAC 284-30-395.